

VZCZCXRO6940

OO RUEHBI RUEHCI RUEHDBU RUEHFL RUEHKW RUEHLA RUEHLH RUEHNEH RUEHNP
RUEHPW RUEHROV RUEHSL
DE RUEHTA #2007/01 3170629
ZNY SSSSS ZZH
O 130629Z NOV 09
FM AMEMBASSY ASTANA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6820
INFO RUCNCIS/CIS COLLECTIVE 2152
RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 1522
RUEHKO/AMEMBASSY TOKYO 2223
RUEHUL/AMEMBASSY SEOUL 1157
RHMFISS/DEPT OF ENERGY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEAIIA/CIA WASHDC
RHEFAAA/DIA WASHDC
RHEHNSC/NSC WASHDC 1712
RUEKJCS/SECDEF WASHDC 1570
RUEKJCS/JOINT STAFF WASHDC
RHMFISS/CDR USCENTCOM MACDILL AFB FL
RHMFISS/CDR USTRANSCOM SCOTT AFB IL

S E C R E T SECTION 01 OF 02 ASTANA 002007

SIPDIS

STATE FOR SCA/CEN, EUR/RUS, S/EEE, S/CIEA, EEB
NSC FOR JOYCE CONNERY

E.O. 12958: 11/12/2029

TAGS: [PGOV](#) [PREL](#) [PINR](#) [ECON](#) [EPET](#) [MARR](#) [KNNP](#) [IT](#) [TU](#) [KZ](#)

SUBJECT: MINISTER OF ENERGY ON BN-350, SEMIPALATINSK AND ALATAU

Classified By: Ambassador Richard E. Hoagland, 1.4 (b), (d)

¶1. (S) SUMMARY: On November 12, the Ambassador discussed non-proliferation issues, specifically the transfer of BN-350 spent-fuel and the Semipalatinsk and Alatau projects, with Minister of Energy and Mineral Resources Sauat Mynbayev. The Minister welcomed further cooperation on BN-350 security and transport, and agreed in principle to accelerate work at Semipalatinsk next year. In relation to the blending down of highly-enriched uranium (HEU) at Alatau, Mynbayev said that Kazakhstan's experts need to be convinced that the research at Alatau using low-enriched uranium (LEU) will work, but agreed to continue expert-level discussions to find a mutually-acceptable solution. Mynbayev also discussed Italian oil company ENI's investments in Kazakhstan following President Nursultan Nazarbayev's November 6 visit to Italy, along with developments related to the Eskene-Kuryk and Samsun-Ceyhan pipelines. END SUMMARY.

BN-350 SPENT-FUEL TRANSPORT

¶2. (S) The Ambassador thanked the government of Kazakhstan for providing its emergency response plan for the BN-350 spent fuel shipment. Citing long-standing collaboration, he also recommended a bilateral expert-level meeting in the near future to review all transportation and security plans, which Mynbayev agreed to arrange. Mynbayev welcomed the Ambassador's proposal to consider security consultations with the possibility of an exercise conducted by U.S. and Kazakhstani specialists, and said he would include this suggestion in a second set of training requests, which the Ministry of Energy and Mineral Resources (MEMR) will relay soon.

¶3. (S) In response to the Ambassador's inquiry about whether MEMR has sufficient equipment for the spent-fuel transfer, Mynbayev replied that Kazakhstan has all the equipment necessary for transport and storage. Mynbayev noted the U.S. donation of much of the security equipment. He said MEMR has already submitted to the U.S. Department of Energy a list of required spare parts due to their scarcity on the local market. Mynbayev also reiterated that registration of the railcars, which will be used to transport the fuel, has not been completed. (NOTE: The Moscow-based certification agency for all railcars used in the Commonwealth of Independent States is currently reviewing the railcar design. END NOTE.)

ACCELERATION OF WORK AT SEMIPALATINSK

¶4. (S) The Ambassador thanked the Kazakhstani government for increasing security and supporting a faster pace of work at Semipalatinsk this year. Given that we expect identification of 20 new tunnels, he pressed for even greater acceleration next year. Mynbayev said that as soon as MEMR receives information about these sites, its specialists will immediately prepare a work and monitoring schedule. According to Mynbayev, in principle, MEMR is willing to continue to accelerate its schedule.

ALATAU PROJECT

¶5. (S) The Ambassador also expressed appreciation for Kazakhstan's cooperation on the sensitive project to blend down highly-enriched uranium (HEU) at the Alatau Institute of Nuclear Physics. He conveyed U.S. readiness for expert-level cooperation and interest in concrete information about next steps. Mynbayev responded, "I understand we have mutual commitments on this issue." Pushing back a little, Mynbayev told the Ambassador that Kazakhstan is interested not only in the removal of highly-enriched-uranium (HEU) fuel, but also in the continuation of research -- using low-enriched-uranium (LEU) fuel -- at the Alatau reactor. When the Ambassador reiterated the need simply to encourage experts on both sides to find a mutually-acceptable solution, Mynbayev immediately agreed, saying, "I am ready to instruct my experts to discuss this issue."

ITALIAN OIL COMPANY ENI'S INVESTMENT IN KAZAKHSTAN'S SHIPYARDS

¶6. (C) The Ambassador also asked Mynbayev about the status of MEMR'S

ASTANA 00002007 002 OF 002

June announcement that the Italian energy company, ENI, intends to build a shipyard in Kazakhstan's sector of the Caspian Sea to produce 63,000 dead-weight ton oil tankers. Mynbayev confirmed that MEMR signed an agreement with ENI and created a working group to study the project. However, he told the Ambassador, "The results of the project are still unclear," and they depend on commercial demand for the tankers. Mynbayev admitted that the tanker project is a long-term endeavor, on which the partners will need to work well into ¶2010. The Minister said decisions about ownership and operation of the vessels will influence the pace of the project. "We are still negotiating with SOCAR over this, and the Kashagan consortium is very interested as well," Mynbayev noted. According to the Minister, although ENI representatives declared their readiness to invest in the project, they will not provide the necessary cash until resolution of all nuances. Further illustrating the complexity of the project, Mynbayev told the Ambassador, "we're not even ready for the onshore Eskene-Kuryk pipeline yet -- and that is the first step on the road to a viable (trans-Caspian shuttle tanker) system." He further explained that a French company has been awarded the exclusive right to negotiate Eskene-Kuryk pipeline construction with the government, but admitted that this large project will also take time.

A POLITICAL REALITY: THE SAMSUN-CEYHAN PIPELINE

¶7. (C) The Ambassador also asked about Nazarbayev's October 22 announcement that Kazakhstan, along with Russia, will take part in the construction of the Samsun-Ceyhan oil pipeline. "Theoretically and politically," Mynbayev replied, "we're ready to do it." However, Mynbayev again admitted that Kazakhstan has not worked out the commercial aspects. Mynbayev responded positively to the Ambassador's query about Kazakhstan's willingness to commit its own crude to the pipeline, but declared it "far too early" for decisions about which specific fields will provide the oil for Samsun-Ceyhan. The Minister pointed out that Kazakhstan can ship oil through the Caspian Pipeline Consortium (CPC) and across the Caspian via tanker to Baku, and is in negotiations with Azerbaijan to develop the Kazakhstan Caspian Transportation System (KCTS).

HOAGLAND